



**DRAFT MINUTES
CITIZENS' BOND REVIEW COMMISSION**

**VIA LINDA SENIOR CENTER, ROOM 6
10440 North Via Linda
Scottsdale, Arizona 85259
THURSDAY MAY 4, 2006**

CALL TO ORDER

A regular meeting of the Scottsdale Citizens' Bond Review Commission was called to order by Chairman West at 5:10 p.m.

ROLL CALL

Present: Sam West, Chairman
Steve Sagert, Vice Chairman (departed at 6:01 p.m.)
Larry Beckner
Judith Brotman
Judy Frost
Paul Hughes
Chuck Kaufman
Tom Lanin
Will Magoon
Don Raiff
Eric Schechter (arrived at 5:18 p.m.)

Absent Don Adams
Sue Sisley
Lee Tannenbaum

Staff: Tim Barnard, CIP Planning Coordinator for Community Services
Lisa Gurtler, Finance Manager
Roger Klingler, Assistant City Manager
Judy McIlroy, Senior Budget Analyst
Don Penfield, Facilities Management Director
Sylvia Romero, Senior Budget Analyst, CIP Coordinator
Art Rullo, Budget Director
Dan Worth, City Engineer

A formal roll call noted the presence of Commissioners as noted above. Chairman West noted the excused absences of Commissioners Sisley, Tannenbaum, and Adams.

Approval of Minutes, November 3, 2005 meeting

COMMISSIONER HUGHES MOVED TO APPROVE THE AMENDED MINUTES OF THE NOVEMBER 3, 2005 MEETING. COMMISSIONER BROTMAN SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF TEN (10) TO ZERO (0).

Approval of Minutes, February 2, 2006 meeting

COMMISSIONER KAUFMAN MOVED TO APPROVE THE MINUTES OF THE FEBRUARY 2, 2006 MEETING. COMMISSIONER BROTMAN SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF TEN (10) TO ZERO (0).

NEW BUSINESS

Chairman West noted that according to the Commission Bylaws, unfinished business from the previous meeting is to be the next item on the agenda following approval of minutes. The current meeting agenda does not reflect this order of business. He indicated that the meeting would follow the published agenda, but directed staff to draft future agendas to reflect the correct order set forth in the Bylaws.

INTRODUCTION

Mr. Don Penfield, Facilities Management Director, introduced Tim Barnard, CIP Planning Coordinator for Community Services, and outlined Mr. Barnard's responsibilities. Mr. Barnard described his background and experience in various Valley municipalities.

Chairman West asked staff to e-mail an updated list of department heads and contact information to Commissioners.

1 Proposed Bond 2000 modification

Mr. Roger Klingler, Assistant City Manager, addressed the meeting. He noted that at this stage, there are fewer changes to the program than in the past.

Regarding Phase 2 of the Arabian Library, Mr. Klingler noted that costs are now \$1.8 million higher than had been anticipated. Staff proposed to use \$1.8 million of the \$3 million of bond interest accumulated on the bond proceeds.

Commissioner Schechter inquired regarding the cause of the cost overrun. Mr. Dan Worth, City Engineer, explained that staff had been operating from a projected budget. Two bids were received in December of 2005, both of which were over the budget. One of the bids was not responsive, while the remaining bid was \$3 million higher than the estimate. The estimate was based on plans permitted in October 2005 and had been for \$5 million.

Mr. Worth commented that the City was the victim of unfortunate timing, citing great uncertainty in materials costs at the time the City requested bids, largely as a result of

Hurricane Katrina. Given this situation, Mr. Worth explained that staff re-evaluated and cut back the design, and the project is out for rebid. Staff are recommending that the books for the library be purchased from general funds, rather than using bond funds.

Commissioner Raiff commented that this experience may have relevance to future projects in the pipeline. Mr. Worth agreed that there are other projects in similar circumstances. He added that as the situation stabilizes, bidders will not pad their bids against possible future price increases. Commissioner Raiff asked that in the future staff brief the Commission about similar situations with other projects.

Commissioner Schechter asked how staff would report a lower bid for the Arabian Library, if one were to be received. Mr. Worth replied that this would be a matter of public record, since staff has to go to City Council to award the bid. He agreed to advise Commissioners if a lower bid is received. Chairman West recalled that in the past, Commissioners received ongoing updates between meetings. Mr. Klingler undertook to provide updates to the Commission since the February meeting.

Mr. Klingler noted that the expansion and remodel of the Vista del Camino Senior Center is facing a similar situation. The design has been re-evaluated and some cost savings have been determined. Mr. Klingler noted there are additional funds that could be used for the shortfall. The Paiute Neighborhood Center buildings 4 and 5 are unlikely to be available for the City to purchase, as the private academy will continue to occupy those buildings. Staff propose using money allocated for the Paiute Neighborhood project acquisition to fund the shortfall at Vista del Camino. Mr. Klingler noted that staff's proposal will be presented to City Council for a decision within the next month or so.

Commissioner Frost asked what had happened with regards to the November 2006 request relating to Bond Question 1 and the Preserve trailhead. Mr. Klingler replied that City Council decided to use the general fund capital contingency. Chairman West requested that staff provide the Commission with a formal notification of City Council's decision. Mr. Klingler committed to provide Commissioners with the requested information.

Mr. Klingler explained that on Question 7, the City is accelerating a project. There is no impact on the cost. Commissioner Hughes advised about a meeting that will occur on May 11 regarding a land lease negotiation pertaining to land on the southeast corner of Scottsdale and Thunderbird Road. He requested that the City reach out to this group and inform them of the acceleration of this project. He opined that better access would increase the value of the land.

Noting that staff committed to bring all changes to the Commission, Mr. Klingler addressed a number of minor housekeeping items on some of the older projects, specifically citing a need for \$10,900 for the Hidden Hills Trailhead and \$3,300 for Fire Station #812 at the Airport, which can be funded out of bond interest.

Mr. Klingler confirmed that the Commission could vote on all of the items together or one by one. Chairman West initiated a brief discussion.

COMMISSIONER SCHECHTER MOVED TO VOTE FOR ALL OF THE ITEMS AT THE SAME TIME AT THIS MEETING, RESERVING THE RIGHT TO VOTE ITEM BY ITEM

IN THE FUTURE. COMMISSIONER FROST SECONDED THE VOTE, WHICH CARRIED BY A UNANIMOUS VOTE OF TEN (10) TO ZERO (0).

COMMISSIONER FROST MOVED TO ACCEPT THE STAFF RECOMMENDATIONS AND FORWARD THEM TO CITY COUNCIL AFTER REVIEW AND APPROVAL BY THE COMMISSION. THE MOTION WAS SECONDED BY COMMISSIONER RAIFF AND CARRIED BY A UNANIMOUS VOTE OF TEN (10) TO ZERO (0).

2 STATE-IMPOSED EXPENDITURE LIMITATION

Lisa Gurtler, Finance Manager, gave a presentation regarding Proposition 402. She stressed that this is neither a tax increase, nor a revenue issue, nor a budget issue.

Ms. Gurtler briefly outlined the history of the State-imposed expenditure limitation and explained that Proposition 402 is on the ballot because of revenue growth and approval is necessary in order to fund voter approved programs and the operating costs of capital projects that are nearing completion. Many of the projects are voter-approved bond-funded projects. She further explained that although land and buildings were exempt, capital expenses to acquire technology and vehicles count against the expenditure limit.

Ms. Gurtler noted that the failure of Proposition 402 would send a message to the bond rating agencies that something has changed and could have a negative impact on the City's bond rating. Currently Scottsdale enjoys the highest possible bond rating from the three agencies. A change in the rating could mean higher interest rates on future bond issuances.

Commissioner Kaufman asked why the City had not raised this topic earlier, given that the upcoming expenses were known to the City well in advance. Ms. Gurtler explained that last year the City came within \$4M of the mandate baseline. Although the City had accumulated limited funds that were carried forward from the previous 27 years; this year the expenditure limit needs to be raised in order to minimize usage of the carryforwards and avoid penalties imposed by the State. Ms. Gurtler added possible concerns of going to the voters before the measure is actually needed.

In response to inquiry by Chairman West regarding the total current limit, Ms. Gurtler identified that the FY2006/2007 expenditure limit is \$290 million.

Commenting that he was approaching the question from a businessperson's point of view, Commissioner Beckner suggested that an increase of \$12 million does not seem like a big increase. Given the media attention devoted to Proposition 402, Commissioner Beckner asked whether it would not make more sense to go to the voters and ask for, say, \$20 million. Ms. Gurtler explained that the \$12 million sum is in 1980 dollars adjusted for inflation and population, and in fact the amount today is \$79 million.

Mr. Roger Klingler, Assistant City Manager, commented that almost every city in Arizona has done this balancing act. Scottsdale passed the capital exclusion in 1982. The majority of other cities did not exercise the capital exclusion and have to go back to the voters every four to five years. With the establishment of the new Fire Department, the expansion of the McDowell Sonoran Preserve and the completion of capital projects, the expenditure limit needs to be raised.

Commissioner Beckner asked whether any attempts within the State to increase expenditure limits have been voted down. Staff were not aware of any failed initiatives. Mr. Klingler noted that voters need an explanation of the issue.

Chairman West asked for a definition of the baseline. Ms. Gurtler explained that the baseline is the maximum allowable expenditures subject to the State-mandated expenditure limit calculation. Chairman West asked whether the figure is expressed as an actual number or as a percentage of some other number. Ms. Gurtler responded that the figure is an actual hard dollar figure, elaborating that it reflects the actual expenditures in 1980, adjusted for population and inflation changes over the intervening time span.

Chairman West asked what the original number was for Scottsdale. Ms. Gurtler undertook to obtain that information and provide it to the Commission. In response to a further question from Chairman West, Ms. Gurtler explained that Scottsdale voters approved a 12.5 percent increase to the baseline in 2000. A discussion on the mechanism for increasing the expenditure limit ensued.

Noting the risk of sending a negative message to the bond rating agencies, Commissioner Hughes remarked that perhaps a more effective strategy for future bond issuances would be to tie this question in with the bond election. Ms. Gurtler affirmed that the City of Phoenix had used such a strategy. Mr. Klingler added that this is a good strategy when the voters are faced with a question such as: Do you want a public safety tax increase?

Commissioner Raiff asked how the expenditure limit is adjusted for population. Ms. Gurtler replied that the State uses data from the Census. A discussion ensued on the implications and ramifications of undercounting in relation to the number of Scottsdale winter visitors.

Chairman West commented that in his time on the Citizens' Bond Review Commission, he had been under the impression that when the Commission voted to recommend that City Council approved the spending of bond funds, there have been specific discussions about the overhead portion, although that is not within the Commission's purview. When he reads in the newspaper that the City cannot afford to operate facilities because the funds are not there, he feels disappointed in his decision. He feels that either he was not listening, or that priorities are changing midstream. Referring specifically to Eldorado Park, Chairman West recalled hearing that operational costs would be less once the project was completed because of operational cost savings. When the Commission voted 18 months ago, he was of the understanding that the money was available. Today it would seem that the City no longer has the money, at least according to the media.

Commissioner Frost responded that the City does, in fact, have the money. Mr. Klingler reiterated that because of the expenditure limit, voter approval is required for the City to be able to spend the money. A discussion ensued. Chairman West questioned what had changed in the last 18 months. Commissioner Frost noted that the public safety tax and the City's assumption of the Fire Department operations were factors that were unknown two years ago.

Noting that he wanted to give a perspective and not take up a position, Commissioner Beckner opined that the original Arizona initiative originated because of Proposition 13 in California. The government wanted to pre-empt similar citizen initiatives. He opined that one could argue that these limits are bureaucratic nonsense and a redundant and costly process.

Commissioner Schechter noted that sometimes private citizens groups raise money to campaign in favor of such a proposition. Mr. Klingler agreed that sometimes members of the public form a committee to support a proposition. He noted that the Chamber of Commerce, Coalition of Pinnacle Peak, and the Firefighters Association, are among civic groups pulling funds together in order to put out information regarding Proposition 402.

3 Financial Management Update and Status of Bond 2000 projects

Mr. Art Rullo, Budget Director, presented an update on the Bond 2000 program.

Commissioner Kaufman noted a discrepancy in the expenditures and commitments in the presentation compared to the figures shown in the Project Management Report. Mr. Rullo explained that some projects have multiple funding sources, and the figures in his presentation refer only to Bond 2000 funds.

Commissioner Kaufman asked for information that would make meaningful comparisons possible. Mr. Klingler replied that his point is well taken, and noted that there are drawbacks to either method of presentation.

Reviewing the flood control project, Mr. Worth made reference of three funding sources. Commissioner Kaufman pointed out that some sheets show all funding sources, while this particular sheet does not. After further discussion, Mr. Rullo advised the Commission that staff are aware of this presentation challenge and are trying to work through these issues. Mr. Rullo noted staff had already met with Commissioner Kaufman last week to discuss his concerns and were in the process of addressing the issues. Mr. Klingler added that staff's objective is to present the relevant information to the Commission and avoid confusion.

4 August Quarterly Meeting

Discussion ensued regarding the option of convening the next meeting in September rather than August. The consensus of the Commission is to hold the meeting on Thursday, September 7th.

Chairman West requested that the construction update be placed on the next agenda under Unfinished Business and that the reports be adjusted as necessary following current meeting discussions.

PUBLIC COMMENT

No members of the public wished to address the Commission.

COMMISSIONER COMMENTS

Commissioner Magoon recalled statements during the meeting reflecting that Commissioners do not always receive feedback on City Council decisions based on the Commission's recommendations. He asked that staff develop a plan to address this.

Chairman West advised the Commission that City Council passed the Code of Ethics recommended by the Task Force with no modifications. He asked the Commissioners to read the Code and send him any questions, noting that all Commissioners will be required to go through an ethics orientation.

Mr. Klingler added that Human Resources staff will offer training, although details are yet to be determined. The City Attorney has advised that the Code of Ethics is congruent with existing State law. Members of boards and commissions have always been in compliance with State law and should not feel intimidated while waiting for orientation.

ADJOURNMENT

With no further business to discuss, the meeting adjourned at 6:32 p.m.

Respectfully submitted,
A/V Tronics, Inc.